

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

EA-06 FRB-03 INR-07 IO-10 NEA-09 NSAE-00 RSC-01

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01

FEA-01 AEC-05 DODE-00 FPC-01 H-01 INT-05 L-02 NSC-05

PM-03 SAM-01 OES-03 SS-15 STR-01 OIC-02 SSO-00 INRE-00

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O P 311154Z JAN 75

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TO SECSTATE WASH DC IMMEDIATE 5232

INFO AMEMBASSY BRUSSELS PRIORITY

LIMITED OFFICIAL USE SECTION 01 OF 02 OECD PARIS 02687

E.O. 11652:

TAGS: ENRG, OECD

SUBJECT: IEA: CHAIRMAN'S NOTE TO THE GOVERNING BOARD

1. SECRETARIAT HAS CIRCULATED FOLLOWING NOTE BY  
CHAIRMAN DAVIGNON TO BE DISCUSSED AT FEBRUARY 5 GB  
MEETING:

2. BEGIN TEXT: ALTHOUGH THE REPORTS OF THE STANDING  
GROUPS HAVE NOT YET ALL BEEN DISTRIBUTED I WOULD LIKE  
TO PUT A FEW THOUGHTS TO DELEGATIONS WITH THE NEXT  
SESSION OF THE GOVERNING BOARD IN MIND SO THAT THEY MAY  
REFLECT UPON THEM BEFORE THE MEETING TAKES PLACE.

(I) IT WOULD BE DESIRABLE FOR THE GOVERNING BOARD  
TO BE IN A POSITION TO NOTE, AT ITS MEETING TO BE HELD  
ON THE 5TH, 6TH AND 7TH, THAT EVERYTHING WAS READY FOR  
THE OIL ALLOCATION SCHEME TO BE PUT INTO EFFECT  
RAPIDLY IF A CRISIS WERE TO OCCUR.

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(II) IT WOULD ALSO BE DESIRABLE TO DECIDE ON

PROCEDURES FOR RELATIONS WITH THE OIL COMPANIES AND THE INTRODUCTION OF THE INFORMATION SYSTEM. IN THIS CONNECTION IT WOULD BE USEFUL TO ANALYZE THE SITUATION WITH REGARD TO OIL PRICES FOLLOWING THE DECISION TAKEN OF OPEC IN MID-DECEMBER.

(III) THE SESSION OF THE GOVERNING BOARD WILL BE DEVOTED PRIMARILY TO THE PROBLEM OF CONSUMER/PRODUCER RELATIONS. IN MY VIEW THE FOLLOWING PROBLEMS SHOULD BE CONSIDERED WITH THIS DIALOGUE IN MIND:

(A) ENERGY CONSERVATION. I WOULD SUGGEST THAT, AFTER TAKING NOTE OF THE 1974 FIGURES COMPARED WITH 1973, THE GOVERNING BOARD SHOULD GIVE THE NECESSARY INSTRUCTIONS SO THAT A REVIEW AND DISCUSSION OF NATIONAL POLICIES TAKES PLACE WITHIN THE AGENCY DURING 1975, IT BEING UNDERSTOOD THAT THE GROUP AS SUCH WILL, FOR 1976 AND 1977, BE TAKING DECISIONS WHICH CAN BE USED AS GUIDELINES FOR NATIONAL POLICIES. THE GOVERNING BOARD MIGHT ALREADY NOTE FOR THE RECORD THAT THE BASIC OBJECTIVE OF AGENCY MEMBER COUNTRIES IN THIS FIELD IS TO ACHIEVE GREATER ENERGY SAVINGS THAN THOSE THAT WOULD RESULT PURELY AND SIMPLY FROM THE FREE PLAY OF MARKET FORCES.

(B) RESEARCH AND DEVELOPMENT. WHILST IT IS TRUE THAT IT IS STILL TOO EARLY TO UNDERTAKE DEFINITE COMMITMENTS WITH REGARD TO SPECIFIC PROJECTS SINCE THE RESULTS OF THE PREPARATORY STUDIES NOW GOING ON MUST FIRST BE KNOWN, IT IS STILL NECESSARY, AT POLICY LEVEL, TO REAFFIRM THE OBJECTIVES THAT ARE BEING AIMED AT AND TO AGREE UPON AS PRECISE A TIMETABLE AS POSSIBLE FOR THE FIRST CONCRETE ACTION TO BE TAKEN. IN THIS SAME CONTEXT SOME TIME COULD BE DEVOTED TO DISCUSSING THE QUESTION OF WHETHER MEMBERS OF THE AGENCY WOULD BE READY NOW TO GIVE PRIORITY TO A MAJOR PROJECT WHICH THEY WOULD UNDERTAKE TO CARRY OUT JOINTLY, SUCH AS FOR EXAMPLE NUCLEAR FUSION OR HYDROGEN.

(C) NEW SOURCES OF ENERGY. SINCE THE OBJECTIVE IN VIEW IS AFTER ALL TO REDUCE THE DEPENDENCE OF CONSUMER COUNTRIES ON IMPORTED OIL, IT IS IMPORTANT TO GET STARTED ON A DETAILED PROGRAM DESIGNED TO ENSURE THAT THE BEST POSSIBLE USE IS MADE OF EXISTING ENERGY SOURCES LIMITED OFFICIAL USE

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AND TO DEVELOP THE EXPLOITATION OF ALTERNATIVE ENERGY SOURCES. IT WILL NO DOUBT BE NECESSARY TO ANALYZE THE IMPLICATIONS, WITH REGARD TO IMPORTS, OF PUTTING INTO EFFECT AN ECONOMICALLY BEARABLE PROGRAM FOR DEVELOPING THE NEW SOURCES. THE ECONOMIC CONDITIONS FOR DEVELOPING THESE SOURCES SHOULD ALSO BE DISCUSSED IN DETAIL. THE QUESTION OF THE LINK BETWEEN THE COST OF DEVELOPING THESE NEW SOURCES AND THE PRICE AT WHICH IT

WILL BE POSSIBLE TO IMPORT OIL DURING THE NEXT FEW YEARS  
IS OF VITAL IMPORTANCE. THE WAY IN WHICH THE SOLIDARITY  
OF AGENCY MEMBER COUNTRIES WILL BE DEMONSTRATED IN  
DEVELOPING THESE SOURCES IS ALSO OF THE HIGHEST  
IMPORTANCE.

IN THIS CONTEXT, TWO QUESTIONS ARISE: WHAT ARE THE  
ADVANTAGES FOR ALL THE AGENCY MEMBER COUNTRIES OF  
DEVELOPING ALTERNATIVE SOURCES WITHIN ONE COUNTRY?  
WHAT SYSTEM COULD BE WORKED OUT FOR PROVIDING INCENTIVES  
FOR THE DEVELOPMENT OF THESE ENERGY SOURCES?

(D) ECONOMIC AND FINANCIAL PROBLEMS. IN PARA. 18

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INFO AMEMBASSY BRUSSELS PRIORITY

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OF THE REPORT OF THE STANDING GROUP ON CONSUMER/PRODUCER  
RELATIONS REFERENCE IS MADE TO A LIST OF ISSUES THAT  
MIGHT BE STUDIED BY THE AGENCY IN PREPARATION FOR THE

DIALOGUE WITH THE PRODUCER COUNTRIES.

IN MY VIEW, THE GOVERNING BOARD SHOULD:

- IN LIAISON WITH THE OECD SECRETARY-GENERAL, ASK THAT WORK ON ITEMS 1 TO 3 BE CONTINUED, INDICATING THE MAIN POINTS OF INTEREST;
- ENSURE THAT, VIA THE OECD SECRETARIAT, PRECISE INFORMATION BE GIVEN WITH REGARD TO WORK IN PROGRESS ON ITEMS 6 AND 7;
- ISSUES REFERRED TO UNDER ITEMS 4 AND 14 MAY BE PROPERLY DEALT WITH WITHIN THE AGENCY;
- CONVERSELY, QUESTIONS CONCERNING THE SO-CALLED "INDEXATION" PROBLEM (ITEM NO. 8), QUESTIONS REGARDING THE DEVELOPMENT OF ECONOMIC RELATIONS BETWEEN CONSUMER LIMITED OFFICIAL USE

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AND PRODUCER COUNTRIES (ITEM NO. 10) AND PROBLEMS REGARDING INVESTMENT BY OPEC COUNTRIES IN OTHER COUNTRIES ARE NOT YET COVERED BY ANY CO-ORDINATED STUDY, THOUGH THIS IS ESSENTIAL IN PREPARATION FOR THE DIALOGUE WITH THE PRODUCING COUNTRIES.

I WOULD SUGGEST THAT DURING THE MEETING OF THE GOVERNING BOARD ON 6TH FEBRUARY, THAT IS TO SAY WHEN DELEGATIONS WILL HAVE WITH THEM THEIR HIGH-LEVEL EXPERTS ON THESE QUESTIONS, IT SHOULD DECIDE PRECISELY WHAT STUDIES SHOULD BE CARRIED OUT. AT THE SAME TIME THE PROCEDURES TO BE FOLLOWED FOR CARRYING OUT THIS WORK COULD BE PRESCRIBED IN SUCH A WAY AS TO ENSURE OVERALL CONSISTENCY IN THE WORK BEING DONE IN PREPARATION FOR THE DIALOGUE WITH THE PRODUCER COUNTRIES AND THE PRACTICAL ARRANGEMENTS FOR ORGANIZING THE DIALOGUE.

(1) FOR THE PREPARATORY MEETING, IS IT THE GENERAL OPINION WITHIN THE AGENCY:

- THAT THE MEETING SHOULD BE AS PRELIMINARY AND PROCEDURAL IN CHARACTER AS POSSIBLE, THAT IT SHOULD BE HELD AT THE LEVEL OF GOVERNMENT OFFICIALS AND THAT, BECAUSE OF ITS CHARACTER, PARTICIPATION SHOULD NOT BE LARGE? PARTICIPATION AT THE PRELIMINARY MEETING SHOULD NOT PREJUDGE PARTICIPATION IN THE NEGOTIATIONS THEMSELVES;
- THAT, AS REGARDS PARTICIPATION BY DEVELOPING COUNTRIES, IT WOULD NO DOUBT BE PREFERABLE TO KEEP CLOSELY TO THE WORDING OF THE AGREEMENT AND STRESS THE NOTION OF "OTHER OIL CONSUMING COUNTRIES";
- THAT INTERNATIONAL ORGANIZATIONS SHOULD BE INVITED, AND WHAT, IN PARTICULAR, WOULD BE THE POSITION OF IEA?
- THAT DECISIONS AT THE MEETING SHOULD BE REACHED BY CONSENSUS;
- THAT, WHEN THE FIRST SIGNS OF SOMETHING DEFINITE

EMERGE AT THE MEETING OF THE GOVERNING BOARD,  
THE FRENCH GOVERNMENT SHOULD BE OFFICIALLY  
INFORMED OF THEM;

- THAT, FOLLOWING THE STATEMENT BY THE OIL-  
PRODUCING COUNTRIES AT ALGIERS, A FAVORABLE  
REACTION SHOULD BE EXPRESSED BY THE AGENCY AT  
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THE CLOSE OF THE MEETING OF THE GOVERNING BOARD?  
(2) FOR THE CONFERENCE PROPER, THE GOVERNING BOARD  
SHOULD ENDEAVOR TO DRAW UP A LIST, BASED ON THE REPORTS  
OF THE STANDING GROUP ON LONG-TERM CO-OPERATION AND ITS  
AD HOC GROUP, OF ITEMS WHICH SHOULD APPEAR ON THE AGENDA  
OF THE CONFERENCE EITHER BECAUSE CONSUMER COUNTRIES SO  
DESIRE OR BECAUSE THEIR INCLUSION APPEARS TO BE  
INEVITABLE. THE POSITIONS TO BE TAKEN BY THE AGENCY ON  
THESE POINTS SHOULD BE LAID DOWN WITH REGARD TO THESE  
POINTS, THE FINAL LIST OF WHICH CAN ONLY BE DRAWN UP  
AFTER THE PREPARATORY CONFERENCE HAS TAKEN PLACE.  
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